

Message Text

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 7077

C O N F I D E N T I A L CARACAS 12681

E.O. 11652: GDS

TAGS: ENRG EMIN VE

SUBJ: CONVERSATION WITH CREOLE PRESIDENT DOLPH: PROSPECTS FOR
PETROLEUM NATIONALIZATION

1. ROBERT DOLPH, PRESIDENT OF CREOLE PETROLEUM, CALLED ON ME
THIS MORNING. HE SAYS THAT HE ANTICIPATES THAT INCOME TAXES ON
OIL COMPANIES OPERATING IN VENEZUELA WILL ONCE MORE BE INCREASED,
PROBABLY BY THE END OF THIS YEAR, FROM THE PRESENT RATE OF SIXTY-THRE
E
AND A HALF PERCENT TO SIXTY-SEVEN PERCENT. SINCE ACCORDING TO HIS OWN
PUBLIC ANNOUNCEMENT IN HIS ANNUAL CHRISTMAS MESSAGE TO CREOLE
EMPLOYEES VENEZUELA ALREADY GETS NINETY-NINE CENTS OUT OF EVERY
OIL DOLLAR, IT IS DIFFICULT TO SEE HOW THIS TAX INCREASE CAN DO OTHER
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WISE THAN INCREASE THE COST OF VENEZUELAN OIL SENT TO THE UNITED
STATES AND ELSEWHERE.

2. DOLPH AGREES WITH ME THAT SINCE CARLOS ANDRES PEREZ HAS
A MAJORITY IN BOTH HOUSES OF CONGRESS, AFTER MUCH NATIONALISTIC
SHOUTING THE CONGRESS WILL RATIFY THE PRESIDENT'S AGREEMENT WITH
US STEEL AND BETHLEHEM FOR TAKEOVER OF THE IRON MINE CONCESSIONS.
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IN FACT, THE PRESIDENT IS FLYING TO CIUDAD BOLIVAR JANUARY 1 FOR A

GRANDIOSE FLAG RAISING CEREMONY CELEBRATING THE NATIONALIZATION OF THE IRON MINES.

3. DOLPH LIKEWISE AGREES WITH ME (AND IN FACT THE PRESIDENT SO TOLD ME THE LAST TIME I SAW HIM) THAT THE IRON MINE NATIONALIZATION SETTLE

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MENT WILL BE THE PROTOTYPE OF THE PETROLEUM NATIONALIZATION SETTLEMENT. HOWEVER, DOLPH HAS THE HUNCH THAT FINAL NATIONALIZATION WILL PROBABLY NOT TAKE PLACE UNTIL THE END OF 1975 AFTER WHICH TIME HOPEFULLY THE COMPANIES WILL CONTINUE AS SERVICE CONTRACTORS IN SUPPLYING TECHNICAL SERVICES AND, OF COURSE, MARKETS. I PRESUME THAT FOREIGN PETROLEUM COMPANY OFFICIALS SUCH AS HIMSELF AND CREOLE TECHNICIANS WILL, AS IN THE CASE OF THE ORINOCO IRON MINING COMPANY, CONTINUE TO BE PAID BY THEIR PARENT US CORPORATIONS WHICH IN TURN WILL BE RECOMPENSED BY VENEZUELA FOR THESE SALARY AND EMOLUMENT ACCOUNTS.

4. TO SUM UP, DOLPH ANTICIPATES A VERY BUMPY NEW YEAR BUT AN EVENTUAL ARRANGEMENT WHEREBY THE FOREIGN OIL COMPANIES WILL STILL BE IN BUSINESS, EVEN THOUGH UNDER VENEZUELAN NATIONAL MANAGEMENT, THE COUNTRY MAY RECEIVE LESS NET INCOME THAN IT DOES NOW FROM TAXES AND ROYALTIES.
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